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February 8, 2016

DAN HARE, CHAIR

Academic Council

Re: Retirement Options Taskforce Report

The Retirement Options Taskforce Report was forwarded to all standing committees of the Davis Division of the Academic Senate, including the school and college Faculty Executive Committees. Responses were received from the Committees on Faculty Welfare, Undergraduate Council, and Emeriti; as well as the College of Biological Sciences, College of Letters and Science, College of Agricultural and Environmental Sciences, School of Medicine, School of Nursing, School of Veterinary Medicine and Graduate School of Management. Responses were also collected from individual faculty through an online Web Forum. The responses were compiled and the main points are presented below; original responses are attached for your reference and consideration.

The Division in particular appreciates the unique perspective provided by the Emeriti Committee; as stated in their response, they are "intimately acquainted with the University's standards and workings, its strengths and weaknesses, and [are] deeply committed to its welfare and its continuing greatness. Also, there is almost no self-interest in the recommendations other than seeing the University of California remain the best public university."

Also, the Davis Division acknowledges the dedicated effort and work provided by the members of the Retirement Options Task Force (ROTF). The ROTF report is a comprehensive analysis and assessment of the advantages and disadvantages of the different plans and the percent of contributions by employees and the University of California. Although the ROTF members provided a creative solution to try to improve benefits within the parameters they were given, the general consensus of the Davis Division, based on the collected responses, is that the proposed retirement benefits are still substantially inferior to those in the 2013 tier.

To maintain its status as the premier public university system in the world and one that fuels the economy of California, the University of California (UC) needs to be strategic in attracting and retaining top faculty and staff. The proposed 2016 retirement plan tier reduces total compensation and UC's competitiveness in recruitment and retention. The reduction in retirement benefits under the 2016 tier represents progressive erosion in total remuneration. The comparisons to the UCRP 2013 tier made in the report demonstrate a significant reduction in retirement benefits; importantly, the 2013 tier is already a significant reduction from the 1976 tier. Furthermore, the 2014 Total Remuneration study for general campus ladder rank faculty commissioned by UCOP showed that faculty remuneration is already below peer institutions.¹ It

¹ <http://compensation.universityofcalifornia.edu/total-remuneration-ladder-rank-faculty-2014.pdf>

is a myth that UCRP is too generous; its above-market position in the 2009 Total Remuneration study was due mainly to the contributions holiday. UC put the plan on a sustainable footing by restarting contributions to the plan and with the 2013 tier. There is simply no reason to undertake further reductions in the pension benefits the University provides. Doing so guarantees that UC will not be able to recruit and retain the best faculty and staff.

The Davis Division has a number of areas of concern, all grounded in the fundamental problems described above:

1. **Loss of the Competitive Advantage of UC:** The most critical impact of the loss of market competitiveness is the inability to recruit and retain world-class faculty.
 - a. **Recruitment of Faculty:** The 2016 retirement tier slated to start on July 1, 2016 will weaken our ability to recruit new faculty. The retirement benefits offered by UC provide leverage in recruiting top candidates. The decrease in retirement benefits provided under the 2016 tier will lessen our ability to highlight retirement benefits as a major strength of UC compared to other institutions. The following statement by an Assistant Professor who joined UC Davis in 2014 states it well:
*"I chose to come to UC Davis because of many factors, including the excellent base salary and benefits. I had several other excellent offers, including offers from Ivy League institutions. I would not have chosen to come to UC Davis had the university not offered competitive salary and benefits, including the pension plan...I am strongly opposed to the proposed changes to the pension benefits and I am very concerned about **how the proposed changes would negatively impact the ability of UC schools to recruit and retain top quality faculty and staff in the future.**" (emphasis added)*
 - b. **Recruiting Faculty from Underrepresented Groups:** *"UC and our campus in particular are trying to increase the representation of women and minorities in our faculty. These faculty would be hired under the 2016 tier, which has significantly reduced benefits over the 2013 tier. As a result, their total remuneration would be significantly lower on average than that of their male/white counterparts, unless they receive larger salaries to compensate for reduced benefits. Therefore, the new pension plan could significantly worsen inequities."* Professor of Physics.
 - c. **Retention of Faculty:** The proposed new retirement tier will have a significant negative impact on the retention of faculty. There is already concern that UC faculty remuneration is below peer institutions, as documented in the 2014 Total Remuneration study. Retirement benefits are an important part of faculty remuneration, and the erosion of retirement benefits with the 2016 tier will make it harder to retain successful, mid-career faculty, particularly because retirement benefits will decline for the professor rank under all three options. Given that the most successful and highly-paid faculty members stand to lose the most under the new tier, they will be the most likely to leave mid-career. Another assistant professor who recently joined UC Davis says *"...I recently chose to come to UC Davis over other very good offers, and the UC pension plan was a significant consideration. Furthermore, and perhaps more significantly, I see the UC*

*pension plan as a very strong incentive to stay at UC Davis throughout my career. I believe that the proposed changes will make it more difficult to hire the best new faculty, but **even worse will be the effect on our ability to retain our best faculty.***” (emphasis added)

- d. **Widening of Salary Gaps.** There is concern that the loss in retirement benefits will result in negotiations for higher starting salaries during faculty recruitment to compensate for inferior benefits. Larger retention packages may also need to be negotiated for top faculty to make up for deficiencies in retirement benefits. Similarly, attempts to recruit senior top faculty from other institutions will require higher salaries. These considerations also demonstrate that faculty members’ responses to the new retirement benefits tier will reduce or eliminate any savings to UC from its adoption of the new tier; the cost will simply be in salaries rather than in retirement benefits.
- e. **False Economy for the University.** A former chair of the Davis Division Academic Senate comments: *“Faculty will not have an incentive to stay after they hit their retirement cap and this will happen right at the time of career that one is starting to think about retirement. UC will become even more of a feeder institution for our competitor institutions than we are now. ... The powers that be may think “who cares” because we can replace them with lower paid faculties, but the new faculty consume more resources with respect to start-up funding in STEM, need to refresh/remodel space and buildings to be attractive to new faculty, and the need to devote time to establishment of their careers. They are a net consumer of resources until they become established and garner grants, contracts and gifts that provide overhead to the institution. With this policy, right when they become net contributors we cap their retirement salaries and push them away. We would need to massively fix the salary scales to remain competitive. Thus it is not clear what problem this policy and low salary cap actually fixes.”*

The false economy extends beyond faculty to staff: *“I have to express my grave concerns about the proposed changes in the UC pension plan. One key reason why UC has become a world renowned institution is because it has been able to hire and retain faculty **and staff**. One key reason of been able to retain faculty **and staff** is because of UC pension plan.”* Professor and Department Chair (emphasis added).

- f. **Delayed Retirement:** Faculty who do choose to stay at UC will defer their retirement date, partially because of the change in the retirement age at which they obtain the maximum “age factor” compared to the 1976 tier, and partially because they will not be able to afford to retire based on their UC retirement benefits. The result will be a faculty comprised of new, inexperienced faculty and end-career faculty, without the balance of high productivity mid-career faculty.
- g. **Morale:** There will be increased faculty dissatisfaction and decreased morale resulting from the disparities in compensation. Years of budget cuts and requests to do more with less support have taken their toll on faculty morale. The

proposed 2016 retirement tier erodes faculty benefits and total remuneration, and further highlights the lack of state support for the UC system. This contributes to a climate where faculty members are often not provided adequate support. In turn, faculty members who are not supported and valued by UC will not support and value UC. Morale effects will reinforce the financial incentives the new tier will create for productive mid-career faculty to leave UC.

2. **Unintended Consequences:** Concurrent changes within UC benefits may result in other unintended consequences as follows:
 - a. **Quality of healthcare provided by UC Care:** There is an ongoing discussion about consolidating health benefits within UC Care, primarily provided by the UC medical schools. Compromised ability to recruit and retain the best faculty will also affect these medical schools and the caliber of the health care providers that they are able to hire, impacting the quality of healthcare provided by UC Care.
 - b. **Limited Retirement Counseling Services available within UC:** Centralization of Retirement Administration Service Center (RASC) has further limited the retirement counseling available to UC employees, at a time when more individual retirement preparation and responsibility will be needed with the 2016 tier. Indeed, retirement counseling may be necessary *at hiring* for new faculty to be able to understand the implications of their choice of pension options at a time when starting salaries and start up packages are more important than the distant concept of retirement. Payment of student loans, the purchase of a home, or the cost of raising a family along with startup funds for research are primary concerns for new faculty. Failing to address needs for retirement counseling at hiring could, ultimately, strengthen the incentives for productive mid-career faculty to leave UC in order to compensate for earlier planning issues.
 - c. **Restrictions of Investment Options in Retirement Savings Program:** The defined contribution plans (DC Supplement or DC Choice) allow some recovery of retirement benefits compared to the Defined Benefit plan which is restricted to the Covered Compensation Limit. However, in September 2014, UC enacted numerous changes to the investment fund line-up for the Retirement Savings Program, reducing available plans for investment and increasing the cost of continuing to participate in some plans. Future changes to the Retirement Savings Program could occur independently of shared governance oversight and could greatly impact the future value of defined contribution plans.
3. **Concerns Regarding Process:** A fundamental concern regarding this plan is that the original agreement was forged by the “Committee of Two” outside established UC processes. UC President Napolitano over-stepped her defined scope of responsibility by entering this agreement: there was no oversight by UC Regents. This process is widely viewed by the faculty as a “deal” made by President Napolitano and Governor Brown outside the governance structure of UC and not adhering to the shared governance principles of UC. There was no opportunity for meaningful input from the Academic Senate. Both the miniscule period allotted to consultation and the fact that the new plan was a “done deal” even before the consultation was requested represent an

unprecedented erosion of the basic tenets of shared governance. This agreement institutes a permanent detrimental change in exchange for a one-time \$436 million payment, insufficient to recover the future cost associated with this agreement, and does not provide any long term commitment from the state of California to UC. While it is recognized that the President has to be able to make decisions, it is also a fact that the quality of decisions can be substantially strengthened by consulting with knowledgeable members of the University community who can help avoid serious unintended consequences. The Davis Division strongly recommends that the Senate leadership meet with President Napolitano to discuss how such a violation of shared governance, specifically on matters that could jeopardize the long term future of UC, can be avoided in the future.

Which option presented is best? Both Plan A and B were considered and while neither plan is desirable, it was suggested that Plan A may be less harmful than Plan B as it still includes a defined benefit component. The Davis Division would like to reiterate, however, that there is no support for having only a defined contribution plan. Other options should be considered. Even though there was a widespread assumption that clinical faculty would prefer using a defined contribution plan as it is vested after only one year and is highly portable, the clinical faculty who participated in the meetings found this option much less attractive than the current UC retirement plan. No one expressed support for this option. Similarly, within the School of Nursing the faculty consensus is that there is no support for a defined contribution only plan.

Action Items: Recommendations to consider before implementing any changes to the retirement benefits:

- Total remuneration studies of competitive salary ranges must be performed regularly for faculty and staff in order to keep University of California's salaries comparable to competitor institutions
- There must be a commitment from the President to raise faculty salaries in the UC system to the levels paid by competing institutions. This will be particularly important if retirement benefits will be further reduced.
- Likewise, retention of outstanding staff requires salaries that are comparable to such positions in industry.
- The Academic Senate expects extensive consultation when issues of high importance for the future of UC arise.

Sincerely,



André Knoesen, Chair
Davis Division of the Academic Senate
Professor: Electrical and Computer Engineering

Enclosures

Faculty Welfare Committee Comments on the Retirement Options Task Force Report

The members of the Faculty Welfare Committee want to acknowledge the dedicated effort and work provided by Retirement Options Task Force (ROTF) members in being tasked with a job working under a very short timeframe and being given unrealistic and restrictive parameters for devising a plan. The ROTF report is a very comprehensive analysis and assessment of the advantages and disadvantages of different plans and the percent contributions by employees and UC. The ROTF members provided a creative solution to try to improve benefits within the parameters they were given and the report is very honest in acknowledging that even with the application of “fixes”, the proposed retirement benefits are still woefully lacking.

In addition to jeopardizing the future of UC, a fundamental concern originating with this plan is that the original agreement was forged by the “Committee of Two”. UC President Napolitano over-stepped her bounds in this agreement in that there was no oversight by UC Regents or adherence to the shared governance principles of UC. The one-time payout of \$436 million is insufficient to recover the future cost associated with this agreement. This agreement institutes a permanent detrimental change in exchange for a one-time payment and does not provide any long term commitment from the state of CA to UC.

It is recognized that the President has to be able to make decisions; it is also a fact that the quality of her decisions can be substantially strengthened if she consults with knowledgeable members of the University community who can help avoid serious unintended consequences. It is recommended that the Senate leadership meet with President Napolitano to discuss how such a violation of good governance can be avoided in the future. If the discussion does not lead to increased consultation, then other options, such as a vote of no confidence, should be considered.

The 2016 tier change in retirement benefits represents progressive erosion in faculty compensation and benefits. The comparisons in the report are made to the UCRP 2013 tier, demonstrating a significant reduction in retirement benefits; however, the 2013 tier is already a reduction from the previous 1976 tier. Furthermore, UCOP’s own study showed that faculty remuneration is below peer institutions and while retirement benefits were historically positioned above market, the 2013 tier retirement benefits are now below market. UC Davis has the lowest faculty remuneration among the UC campuses, placing it at a further disadvantage.

The most critical impact of the loss of market competitiveness is the inability to recruit and retain high quality faculty. Highly reimbursed staff and administrators will be positioned to negotiate supplemental retirement agreements even beyond the Internal Revenue Code limit; however, this avenue of negotiation would not be available to faculty. The loss of retirement benefits will result in new faculty negotiating for higher starting salaries and start-up packages to compensate for inferior benefits. This will cause greater disparity and stratification between incoming new (junior) faculty and established more senior faculty. However, as incoming salaries progress over time, the CCL cap will have a greater restricting effect on retirement compensation. This will start to impact 2016 tier faculty during mid-career, when they are most productive and susceptible to recruitment by other institutions. The 2016 tier does not promote career longevity at UC. As a result, UC will bear the cost associated with hiring,

supporting, and mentoring new faculty, but will not gain the benefit of retaining these faculty throughout their careers. Faculty who do choose to stay at UC, will defer their retirement date, partially because of the change in retirement age compared to the 1976 tier and partially because they will not be able to afford to retire based on their UC retirement benefits. The result will be a faculty comprised of new, inexperienced faculty and end-career faculty, without the balance of high productivity mid-career faculty. There will be increased faculty dissatisfaction and decreased morale resulting from the disparities in compensation. Inability to attract ladder-rank faculty may further promote the hiring of temporary adjunct instructors, which is a trend already occurring at UC and other universities. The research, teaching, and service missions of UC and the stature of UC as a leader in a variety of fields will be undermined.

Concurrent changes within UC benefits may result in other unintended consequences. One, there is an ongoing discussion about consolidating health benefits within UC Care, primarily provided by the UC medical schools. Compromised ability to recruit and retain the best faculty will also affect these medical schools and the caliber of the health care providers that they are able to hire, impacting the quality of healthcare provided by UC Care. Two, the defined contribution plans (DC Supplement or DC Choice) allow some recovery of retirement benefits compared to the Defined Benefit plan which is restricted to the CCL. However, in September 2014, UC enacted numerous changes to the investment fund line-up for the Retirement Savings Program, reducing available plans for investment and increasing the cost of continuing to participate in some plans. Future changes to the Retirement Savings Program occur independently of shared governance oversight and could greatly impact the future value of defined contribution plans. Three, centralization of Retirement Administration Service Center (RASC) has further limited the retirement counseling available to UC employees, at a time when more individual retirement preparation and responsibility may be needed with the 2016 tier. In fact, retirement counseling may be necessary for new faculty to be able to understand the implications of their choice of pension options at a time when starting salaries and start up packages are more important than the distant concept of retirement. Payment of student loans, the purchase of a home, or the cost of raising a family along with start up funds for research are primary concerns for new faculty.

Of the two ROTF options, the Faculty Welfare Committee recommends Option A – Hybrid Approach. Option B - Pure Defined Contribution Approach shifts the investment risks to the faculty and promotes short term employment rather than encouraging loyalty. We also recommend that the University's contribution of 4% to reduce the Unfunded Actuarial Accrued Liability (UAAL) be applied to the entire wage base not just to the Covered Compensation Limit (CCL) of \$117,020. Note that in Option B the entire wage base is \$265,000, the Internal Revenue Code limit. The justification for the difference between the plans was to achieve cost savings. However, UAAL has to be paid from some source, and therefore, the cost savings are not real.

In summary, the plans proposed in the ROTF report appear to be the best solution for a bad agreement between UCOP and the State of California. The fundamental problem is the agreement between UCOP and the State of California. The long term effects of 2016 tier are numerous and detrimental. The cost savings are minimal, if any, and do not outweigh the negative impact. We agree with the recommendation to treat faculty and staff equally to avoid further segregation, but also recognize that

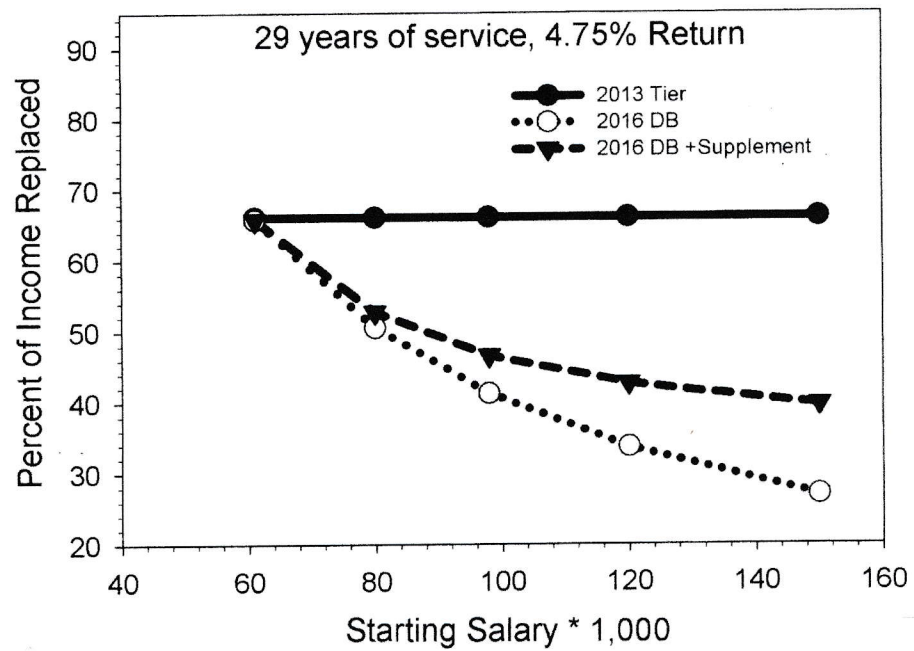
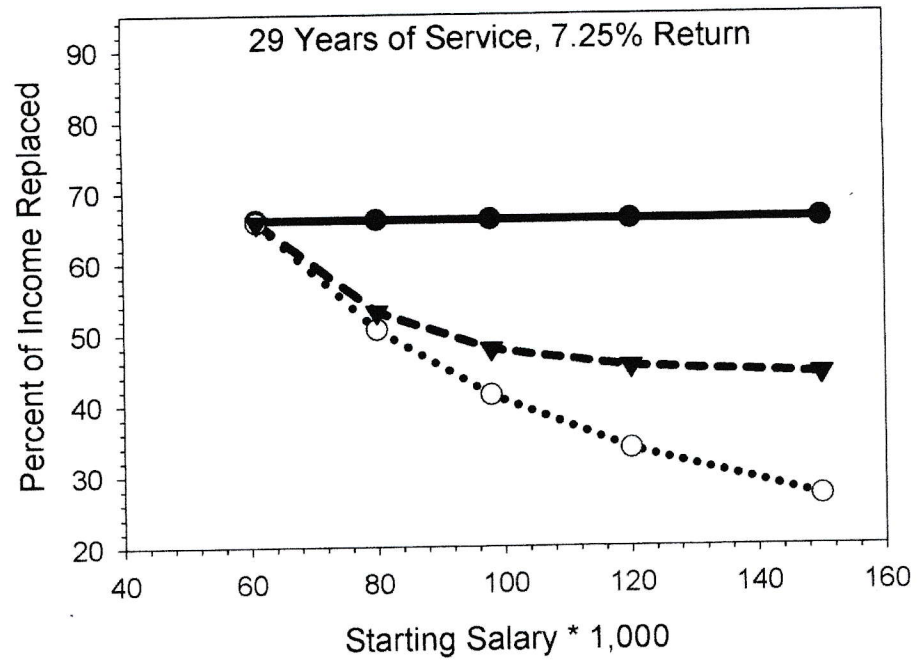
many staff positions are unionized and the unions may be able to negotiate improved benefits for their members. Although much attention has been directed to the UAAL, the budget agreement does not address the unfunded liability. Based on the graph on page 57 of the report, it would seem that equal or greater resolution of UAAL is obtained from 2013 tier through borrowing from STIP and excluding State funding. All other 2016 tier projections include borrowing and State funding. Sadly, the primary goal of the budget agreement was cost savings, but projected cost savings appear minimal.

Emeriti Committee Comments on the Retirement Options Task Force Report

The Emeriti Committee feels that the graphs contained in *A guide to reviewing the recommendations of the Retirement Options Task Force* by J. Daniel Hare and James A. Chalfant, provide the clearest evidence of the stark reality and injustice of the Retirement Options Task Force (ROTF) recommendations. Please see the figure on page 2 which shows the impact on a highly compensated professor with a starting salary of \$140,000 who retires after 29 years of service to the University. Looking at a 7.25% annual return, with a defined benefit plan capped at the PEPRA salary limit, currently \$117,020, and a new supplemental DC benefit (Option A – Hybrid Approach), the retirement payment is less than 50% of his/her average pay for the last three years before retirement, compared to 68% under the tier 2013 program. If one considers a model of a 4.75% annual return, with the supplemental DC benefit, the percent drops close to 40%. Professors starting with lower initial salaries would receive slightly higher percentages but still much less than they would receive under the current plan. In either model (7.25% or 4.75% annual return) without the supplemental DC benefit, the retirement payment is decreased even more. These substantial decreases of payment to support faculty in their retirement years is shameful. Finally, we are dismayed with the repeated statement that this proposal will not affect current employees. This statement, only true in the fiscal sense, sadly tries to divert our attention from precisely how the proposal does affect us: in our concern for the University's future difficulty in attracting and retaining the exceptional faculty necessary to maintain the University's reputation of excellence.

While the plan will erode faculty quality broadly across the University, particular disciplinary areas such as engineering, economics, business, and medicine will be disproportionately affected because it is not unusual to hire assistant professors at \$90 – 100K per year. We believe that the Senate must make sure the Regents are aware of the faculty's concern about the potential negative impacts on hiring and retention.

The Committee is pleased to enclose and endorse a letter for the UC Davis Emeriti Association which also incorporates concern expressed by members of the UC Davis Retirees' Association. The emeriti and retirees have a unique perspective from which to evaluate the effects of the ROTF recommendations. As stated in their letter, they are "intimately acquainted with the University's standards and workings, its strengths and weaknesses, and [are] deeply committed to its welfare and its continuing greatness." Also, there is almost no self-interest in the recommendations other than seeing the University of California remain the best public university in the world.



January 31, 2016

Dear Academic Senate Colleagues on the Emeriti Committee:

We offer you the thoughts of some of the members of the UC Davis Emeriti Association's Executive Committee and representatives from the UC Davis Retirees' Association about the Retirement Options Task Force (ROTF) Report to the President that is going to be submitted to the Regents in the near future, and we make two requests.

As emeriti faculty and university retirees, we have a rather privileged position from which to view the University of California. We are intimately acquainted with the University's standards and workings, its strengths and weaknesses, and we are deeply committed to its welfare and its continuing greatness.

At the same time, we stand apart from its actions, in the same way that we stand apart from the actions of our children.

While feeling strongly about the effects of this proposed policy on the university to which we have devoted much of our professional lives, the current proposal to amend the retirement plans for University employees does not affect any of us financially. Nor is any of us involved in recruiting faculty or staff. So while we stand apart from these, we have two key points informed by experience in the UC system to offer the decision makers.

First, we believe that the keystone proposal of the Report – the one-time payment of \$436 million into the University's pension fund over the next three years in exchange for a dramatic reduction in future hires' pension benefits - needs recasting. The resultant reductions in new employee contributions may affect the future financial health of the retirement pool.

Second, we believe that reaching this "compromise" without adequate consultation with faculty deprived the University of a vital component in the University's decision-making process.

As to the benefits proposal, most employees are ill equipped to manage investment and payouts from DC accounts. It's hard enough for the pensions system's paid professionals. To do so, such responsibility should not be transferred to employees.

Our experience with hiring leads us to believe that potential hires will demand higher salaries than they now do to cover the shortfall the report's benefit proposals will impose and that the positive outcomes assumed in the report are too optimistic.

To maintain its status as one of the premier universities in the world and one that fuels the economy of California, the University of California needs to be strategic in attracting, maintaining, and retaining top faculty. In today's competitive world, top universities fully compensate excellent faculty and staff. This proposed plan effectively reduces total compensation and erodes the University's competitive edge in recruitment and retention. We are very concerned about potential loss.

What also concerns us is the perceived assault—there really is no other word—on the core principles of the University that was exemplified by the way in which this new proposal was created and is being codified. The proposal seems to have been made in secret and that it is being rushed to conclusion well before there can be reflective discussion. The issues are large, important and complicated. At the moment, there is only room for shock and anger by the faculty. The process seems guaranteed to leave a legacy of bitterness since few active faculty can take the time to understand the complexities of the proposal by the deadline.

We, who have distinguished colleagues at top-flight institutions across the nation and have heard complaints from them about decision-making processes in their institutions, have developed a special regard for the incredible advantage that the University of California has had over the years in the principle of shared governance. The process displayed in the rush approval of this report is a direct assault on that core principle. There is a real danger the UC will be put on a slippery slope leading to mediocrity.

We are unnerved by the negotiation of this deal between the Governor and the UC President with little or no apparent input from the faculty senate. While one to one chief executive negotiations can often be useful in legislative negotiations and large corporate negotiations we believe these are imperfect tools in the university world where principles of shared governance mean so much and have served so well.

In the spirit of shared governance, the Emeriti Association had input from the UC Davis Retirees' Association's representatives Tom Compton and Mike Chandler on the ramifications of this report. They contributed their voices to these concerns and in addition urged that a highly visible program be established to monitor and regularly assess the impact of total compensation plans offered by the university to its employees, which actively engages campus faculty and staff subject experts.

We urgently request that President Napolitano and the Regents defer consideration of this proposal until the current faculty and staff of the University can more fully—and wisely—consider it.

Sincerely,

Jo Anne Boorkman

Vice President

UC Davis Emeriti Association



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January 29, 2016

Chair Andre Knoesen
Davis Division Academic Senate

Subject: Response to the Retirement Options Task Force Report

Dear Dr. Knoesen:

The Faculty Executive Committee (FEC) of the School of Medicine consulted with concerned faculty by encouraging participation in a Town Hall Meeting arranged by the Faculty Welfare Committee, which was held at the school's campus in Sacramento, and by featuring the Report at a General Faculty Meeting. The faculty of the School of Medicine were also encouraged to forward their opinions to the Secretary of the FEC, who compiled them with the comments made at the Town Hall and General Faculty Meetings to create the substance of this response.

No one expressed support for the new retirement plans. The reasons for this expressed by the faculty include:

- 1) The new retirement plan slated to start on July 1, 2016, will have a significant negative impact on the recruitment of new faculty and the retention of current faculty. Some faculty members pointed out that they left other universities to join UC largely because of the current UC retirement plan. Others pointed out that they were able to recruit junior faculty who had offers at prestigious institutions that included higher salaries, more start-up funding and larger research space because of our current UC retirement plan. This edge will be lost when the new plan goes into effect. In order to remain competitive, UC will need to provide larger start up packages and larger off-scale salary support to new hires, which will likely negate any of the proposed financial benefits resulting from the new retirement plan.
- 2) Even though there was a widespread assumption that clinical faculty would prefer using a defined contribution plan as it is vested after only one year and is highly portable, the clinical faculty who participated in the meetings found this option much less attractive than the current UC retirement plan. No one expressed support for this option.
- 3) The process through which this plan was adopted is widely viewed by the faculty of the School of Medicine as a deal made by President Napolitano and Governor Brown without meaningful input from the Academic Senate. Both the miniscule period allotted to consultation and the fact that the new plan was a "done deal" even before the consultation was requested represent an unprecedented erosion of the basic tenets of shared governance.

Respectfully,

A handwritten signature in black ink that reads "Martha E. O'Donnell".

Martha E. O'Donnell, Ph.D.
Chair, Faculty Executive Committee

FEC: College of Agricultural and Environmental Sciences

February 1, 2016 4:30 PM

Thank you for the opportunity to provide feedback on the Retirement Options Task Force Report. We have serious concerns about the impact of the proposed changes for the recruitment, retention, and satisfaction of faculty. We also recognize that the proposal is made within a very limited framework but this does not reduce our substantial concerns with this proposal.

Our overall concern is that this will represent a reduction in the overall compensation package for UC faculty at a time when our total compensation falls below many of our competing institutions. Perhaps more importantly, much research has shown that people typically are much more concerned about minimizing bad outcomes. So, even if the expected value of the proposed package is not a great reduction, much more variability is introduced into the plans because of the part that is tied to individual choices rather than a defined benefit. This represents a serious change.

The rest of our response will be separated into three parts, corresponding to different career stages.

For the hiring of new faculty at the junior level, the effect of the proposed changes may be slightly less, as individuals at this stage often are not thinking about their retirement plan. But this will certainly have some negative effect because of the reduction in the overall compensation.

At the mid-career stage, the proposed plan would have potentially very large negative effects. There will be negative impacts on the potential for hiring individuals at this stage as these individuals will pay attention to retirement options. Also, for outstanding faculty at this stage who have been at UC for a substantial time, the current retirement plan helps to provide a "set of golden handcuffs", which greatly helps to reduce the incentive for individuals to move to other institutions. These 'golden handcuffs' would be substantially weakened by the proposed changes and thus either greatly increase the cost of retention packages and/or lead to loss of outstanding faculty.

For very senior faculty, there is one small potential negative effect. The current plan essentially provides strong incentives for individuals to move to emeritus status after a long term of service which really does have benefits for UC. This incentive will be greatly reduced by the proposed changes – faculty may decide to 'hang on' even when they are not really contributing.

While recognizing that there really is little wiggle room given the promises made by UC Administrators, we would argue that the proposed changes to the Retirement Plans may have serious negative consequences and therefore every possible effort should be made to minimize the possible negative effects. The proposed plan could seriously impact the ability of UC to hire and retain outstanding faculty.

FEC: College of Biological Sciences

February 2, 2016 4:47 PM

The CBS FEC is deeply distressed by the new retirement options proposed by the President's office. This privately negotiated agreement is an end-run around the shared governance expected to guide important decisions in the UC System, represents a major decrease in remuneration for all new faculty, and will negatively impact our ability to recruit and maintain excellent faculty long into the future.

The benefits package that UC has historically offered is a substantial component of the total faculty remuneration. Eliminating this source of remuneration without a guaranteed plan to fund salary increases across UC will make us substantially less competitive with equivalent institutions in the U.S. and throughout the world.

Consequently, faculty in the new tier will be more readily moveable and less motivated to spend their careers at UC, so an increasing number will choose to leave. Moreover, given that the most successful and highly-paid faculty members stand to lose the most under the new retirement tier, our superstars will be the most likely to leave.. Successful senior faculty are crucial for the stability and continuity of units, and play many important leadership and service roles. Their loss will have disproportionate negative impacts on our campuses.

Implementation of the new retirement benefit tiers will also increase the cost of retention offers and replacement hires, with no clear source of revenue for these compensations. Retention offers will also be weaker and less likely to succeed. These effects on hiring and retention will probably have a disproportionate effect on a particularly important category of faculty: those that enhance campus diversity. To counter the UC brain drain, units may be forced to increase salaries with money that could otherwise fund new programs designed to attract students and research grant dollars to the UC system, thereby eroding the mission of our campuses.

Further, the new system will create a gaping disparity between existing and newly hired faculty that will adversely affect morale. This will further reduce our ability to attract the best faculty, as job candidates are sensitive to such issues when choosing institutions.

In summary, we believe the proposed changes in retirement benefits will degrade the quality of UCs and handicap our educational and research missions. Combined with the less than obvious savings to the UC budget or even to the retirement system, this act can only be viewed as a political deal – a deal that is bad both for UC and California's future.

To: Andre Knoesen, Chair
Davis Division Academic Senate

From: FEC, Graduate School of Management

Subject: Retirement Options Task Force Report.

Date: February 2, 2016

Thank you for the opportunity to provide feedback on the Retirement Options Task Force Report. The GSM faculty met on January 27 to discuss the report and other issues. The GSM/FEC wishes to offer the following comments on the Retirement Options Task Force Report, which are based on that discussion.

The committee believes that the process that led to the creation of the retirement options under consideration was problematic. It would appear that two individuals, Jerry Brown, Governor of California and Janet Napolitano, President of the University of California (albeit, presumably with the assistance of their staffs) alone struck a deal that will lead to sweeping changes in the retirement benefits available to the thousands of faculty and staff at the University of California. This process seems to be at odds with the principle of shared governance that is supposed to guide policy formation at the university.

The committee also believes that the changes in retirement options wrought by the deal between Governor Brown and President Napolitano will amount to a reduction in benefits for many faculty and staff at the university, which will make it increasingly difficult to attract and retain high quality faculty and staff. These problems will be particularly acute in units where salaries are below market and more generous benefits packages serve to counterbalance lower salaries.

Preamble: The decision to reform the retirement system was taken more or less by a committee of two: the governor and the president of the university. President Napolitano called a task force with 13 members composed of faculty, staff and administrators, and they were charged with “developing options for new plans or supplemental plans that would support the University's continued excellence, remain competitive enough to recruit and retain high-quality employees, and ensure the continued financial stability of UCRP.”

In return for the proposed changes in the retirement system, UC received or is receiving \$436,000,000 for three years and a promise to provide more state support in return for adopting the new retirement system. The academic senate and the faculty association have lamented the lack of faculty consultation.

The College of Letters and Science has the following concerns:

1. Lack of consistent consultation in the process of developing the plan, even if it is in fact too late to make any changes; where is the avenue at the present for any recommendations for changes, adjustments, reconsiderations?
2. Salary information was excluded from the models showing that, in fact, the Tier 2016 Plan is comparable to peer institutions. When [they ran the models to](#) compare this Tier 2016 program to peer institutions (p.60), they purposely excluded data that show unequivocally that our salaries are much lower than those of peer institutions (p. 64, on average 10-12%, but this also varies by UC campus and date of hire). This clouds the true bottom line of how competitive UC retirement income will be compared to these peer institutions. Does the actual retirement income for a parallel position (e.g., Full Professor) exceed the market median of our peer institutions as well? We suspect not.
3. The report states that “most future University employees will retire with salaries below the new limit on covered compensation (CCL)” (p. 4). Although this may be true for staff employees, who outnumber faculty by 3.5 to 1, this will not be true for most, if not all, academic senate members. The table on p. 13 anticipates the average STARTING salary of assistant professors at UC to be nearly 100k. How are these individuals retiring 20-30 years+ later only making 17k more?
4. There is concern that this new system may have a serious impact on recruiting and retention. UC defined benefits system has always been an important factor in recruitment and retention precisely because UCs’ salaries are below comparable institutions. This change could have a debilitating effect on recruiting and keeping the best faculty and staff hired after the new retirement system begins. The proposed Tier 2016 model is clearly not as attractive as retirement plans offered to faculty and staff currently employed by UC. These reduced benefits could discourage top hires after 7/1/16 from staying long

term at UC and encourage them to seek positions at competing universities. This could result in increased costs for retention, recruitment, and start-up packages.

Benefits of the proposed plan:

- Having two plans to choose from, one which benefits short-term employees more (immediate vestment), and one that benefits long-term employees more.
- The flexibility to move from Plan B to Plan A within 5 years.

Recommendations to consider before implementing the plan:

- Clarification on the assumptions about salaries and forecasts of future earnings;
- There must be a commitment from the president to raise faculty salaries in the UC system and make them comparable to parallel institutions;
- Likewise, retaining outstanding staff, requires salaries that are comparable to such positions in industry;
- Remuneration studies should have regular updates for both faculty and staff in order to keep UC's salaries comparable to parallel institutions
- UC's Academic Senate should have been consulted from the beginning about this radical change in the university's benefit system.
- Is there anything we can do at this point to stop this change from going into effect?

FEC: School of Veterinary Medicine

February 3, 2016 4:59 PM

February 3, 2016

To: Andre Knoesen, Chair

Davis Division of the Academic Senate

From: School of Veterinary Medicine Executive Committee

Subject: Response to the Retirement Options Task Force Report

The School of Veterinary Medicine Executive Committee discussed the Retirement Options Task Force Report on January 21 as part of our monthly meeting. We also sent the report to Department Chairs and requested input from the faculty. There was a clear lack of support for the retirement options outlined in the Task Force Report. The following concerns were raised by the faculty:

1. Recruitment and Retention of Faculty. The 2016 retirement plan will weaken our ability to recruit new faculty. The retirement benefits offered by UC provide leverage in recruiting top candidates. The decrease in retirement benefits provided under the 2016 retirement plan will lessen our ability to highlight retirement benefits as a major strength of UC compared to other institutions. There is also concern that the 2016 retirement plan will have a negative impact on faculty retention. There is already concern that UC faculty remuneration is below peer institutions. Retirement benefits are an important part of faculty remuneration, and the erosion of retirement benefits with the 2016 retirement plan will make it harder to retain successful, mid-career faculty. As faculty move forward in their careers, their retirement benefits are progressively penalized under the 2016 plan as increases in salary move past the covered compensation limit. This removes an incentive for productive faculty to maintain their careers at UC Davis.

2. Morale. Years of budget cuts and requests to do more with less support have taken their toll on faculty morale. The 2016 retirement plan represents erosion in faculty compensation and benefits, and further highlights the lack of state support for the UC system. This contributes to a climate where faculty members are often not provided adequate support.

3. Process. There is frustration with the manner in which Governor Brown and President Napolitano made a deal, which will have a major impact on thousands of UC faculty and staff, without adequate input from the Academic Senate. This goes against the principles of shared governance. There is also concern that faculty were only provided a few weeks to review the 94

page Task Force Report and provide comments. Many faculty members simply did not have enough time to study this document and understand the details of the 2016 retirement plan. The short review time gave the impression that faculty input was not really desired. Important decisions need to be made to control costs and maintain financial stability of the retirement system, and faculty would like the opportunity to provide meaningful input to guide these decisions.

4. Widening of Salary Gaps. There is concern that the loss in retirement benefits will result in negotiations for higher starting salaries during faculty recruitment to compensate for inferior benefits. Larger retention packages may also need to be negotiated for top faculty to make up for deficiencies in retirement benefits. This could further increase salary disparity between faculty members.



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February 1, 2016

Andre Knoesen
Chair, Davis Division Academic Senate

Subject: School of Nursing Response to Retirement Options Task Force Report

Dear Chair Knoesen:

Members of the Betty Irene Moore School of Nursing Faculty Executive Committee reviewed the report on 2016 retirement options, and solicited comments from our faculty at large during our January faculty meeting.

The consultation period was notably brief, but long enough to reach a consensus that the proposed 2016 retirement tier will almost certainly be harmful to recruitment efforts at our school. This is a very important concern, as our new and still actively growing school has higher than typical faculty recruitment goals.

The potential impact of the new retirement options on staff and faculty retention is also a concern. We believe that while neither Plan A nor Plan B is desirable, Plan A may be relatively less harmful than Plan B because it still includes a defined benefit component. This is the consensus view across senate and federation faculty in all faculty series at the School of Nursing. No one voiced support for a defined contribution only plan.

It appears that since consultation is only occurring after a political decision has already been made, we can only try to mitigate the expected negative impact of these retirement options on future recruitment and retention. Given this, we strongly urge the Academic Senate to request that UC conduct regular market studies of competitive salary ranges, and make necessary salary band adjustments going forward to compensate for the impending loss of UC's previously competitive benefits package.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Sheryl L. Catz'.

Sheryl L. Catz, PhD
Chair, Faculty Executive Committee
Betty Irene Moore School of Nursing

Undergraduate Council

February 4, 2016 8:23 AM

*UC has been put in essentially an impossible situation. For 20 years no one contributed to the retirement fund, and if nothing were done beyond re-starting contributions it would go bankrupt in about 20-25 years (barring stock-market miracles). Under current conditions UC cannot renege on pensions without facing catastrophic litigation. It has to lower benefits to future employees (and has also asked for and gotten a small infusion of cash from the state).

This creates a very serious long-term problem, however. The UC's defined benefit system is already disastrously out of step with developments in our political economy, because the pension model offers "salary replacement" rather than permitting the families of academics to accumulate capital. This makes UCRP a severe disincentive to seek employment at UC--over the (multi-generational) long term, working at a university using a defined contribution plan with employer pre-tax participation (such as the TIAA-CREF system) will be far more financially rewarding to the employee. In the past the relatively generous income replacement provided by UCRP was attractive; but the two new tiers will be substantially less attractive even than the (already obsolete) original plan.

Unfortunately, at this point we cannot shift to a defined contribution plan, as that would bankrupt UCRP in short order. So we are locked into an outdated and less eligible incentive structure.

It seems that the only way out of this situation in the long term is to bring UC salaries up to a level that makes them almost competitive with a defined contribution plan like TIAA-CREF, so that UC employees can save enough over and above UCRP to close the capital accumulation gap. In effect, this amounts to the hope that we can take a "soft landing" approach to getting rid of an outdated compensation model, while hoping that the erosion of our ability to compete for outstanding faculty is not severe.

In short, this plan appears to be a sane response to an insane situation.

*The new retirement plan seems highly likely to decrease the competitiveness of UC in the future recruitment and retention of new employees. The proposed A and B plans are perhaps the best that can be achieved in a bad situation. The extent to which the 2016 plan will influence the future quality of the UC and its value to California is unclear, but it seems very likely to be detrimental.

It is unacceptable that the OP did not engage with and consult the Senate more completely (at all?) during the negotiations on retirement benefits, because these negotiations concern aspects of faculty welfare that are of significant importance. Being provided a complex report on January 15 and asked to provide insightful post hoc comment by February 4 suboptimal.

As has been noted, this proposal is the outcome of the intersection of much problematic economic and political history and approaching demographic shifts.

Unfortunately, this is but one more example of the devaluation of the University of California, and the master plan for education in the State.

Faculty Inputs received via Web Forum:

"I am a new faculty member who joined UC Davis in 2014. I chose to come to UC Davis because of many factors, including the excellent base salary and benefits. I had several other excellent offers, including offers from Ivy League institutions. I would not have chosen to come to UC Davis had the university not offered competitive salary and benefits, including the pension plan. My case illustrates firsthand that UC Davis competes with other top universities to attract and retain faculty. Because of this, I am strongly opposed to the proposed changes to the pension benefits and I am very concerned about how the proposed changes would negatively impact the ability of UC schools to recruit and retain top quality faculty and staff in the future. I am also disappointed in the fact that these proposed changes are happening with little transparency, and with little time for faculty to provide input." Assistant Professor of Microbiology and Molecular Genetics

"I am very disappointed in the proposed change to the pension plan. I recently chose to come to UC Davis over other very good offers, and the UC pension plan was a significant consideration. Furthermore, and perhaps more significantly, I see the UC pension plan as a very strong incentive to stay at UC Davis throughout my career. I believe that the proposed changes will make it more difficult to hire the best new faculty, but even worse will be the effect on our ability to retain our best faculty." Assistant Professor of Microbiology and Molecular Genetics

"I strongly oppose the change in retirement options. This will further erode our competitiveness for recruiting and retaining faculty." Professor of Molecular and Cellular Biology

"UC and our campus in particular are trying to increase the representation of women and minorities in our faculty. These faculty would be hired under the 2016 tier, which has significantly reduced benefits over the 2013 tier. As a result, their total remuneration would be significantly lower on average than that of their male/white counterparts, unless they receive larger salaries to compensate for reduced benefits. Therefore, the new pension plan could significantly worsen inequities." Professor of Physics

"I have read the report of the committee as well as the responses posted to the ASIS web site. Here are my concerns. This is a false economy for the University. Faculty will not have an incentive to stay after they hit their retirement cap and this will happen right at the time of career that one is starting to think about retirement. We will become even more of a feeder institution for our competitor institutions than we are now. Several years ago UCLA did a great report on their growing role as a "minor league" institution with respect to the level of raiding of top faculty by our competitor institutions. The powers that be may think "who cares" because we can replace them with lower paid faculties, but the new faculty consume more resources with respect to start-up funding in STEM, need to refresh/remodel space and buildings to be attractive to new faculty, and the need to devote time to establishment of their careers. They are a net consumer of resources until they become established and garner grants, contracts and gifts that provide overhead to the institution. With this policy right when they become net contributors we cap their retirement salaries and push them away. We would need to massively fix the salary scales to remain competitive. Thus it is not clear what problem this policy and low salary cap actually fixes.

The second big problem I have with this proposal is that it is being presented as the solution to the retirement pool funds shortage. High salaries at retirement were not the cause of the reduced revenue issue for the state's retirement funds. The massive incompetent (at best) or outright fraudulent (at

worst) behavior by banking and financial institutions caused the massive loss in revenue suffered by pension funds, not the folks paying into those funds. To believe that a cap on income used for retirement calculations will solve fraudulent behaviors by financial institutions is ludicrous. To place the responsibility for detecting fraudulent activity in the hands of employees is equally ludicrous and will foster continued fraud. I would hope the UCOP and the Governor would bring the same level of scrutiny, leadership and zeal they are bringing to the global warming crises to the crises of greed by financial institutions that just as negatively impacts state citizens and come up with a solution that better serves the broader needs of the state and UC.” Professor and former Davis Division Academic Senate Chair

“I have to express my grave concerns about the proposed changes in the UC pension plan. One key reason why UC has become a world renowned institution is because it has been able to hire and retain faculty and staff. One key reason of been able to retain faculty and staff is because of UC pension plan. As chair of a large department (>70 faculty, >600 people on the pay roll), numerous times over the past 14 years I was informed by faculty that they had plans to leave. However when they looked at all the pros and cons of accepting a position elsewhere, it was the UC pension plan that kept them at UC. If the UC defined benefit pension plan moves toward a defined contribution plan, the ‘golden handcuffs’ situation will break down and I predict an sharp increase in faculty turn-over, in particular of faculty members who are heavily courted by other institutions. UC faculty salary has not kept up with the salaries offered at other peer institutions but our pension plan stands out as one of the most attractive one. A loss of the UC pension as we know of it today will not only be a loss for faculty and staff but become a loss to the entire UC system, the state of California and all the students as UC will lose it competitiveness in attracting and retaining the best.” Professor and Department Chair

"I am deeply concerned that the proposed changes will diminish our ability to attract the best new faculty. UC salaries are well below those of most of our competitors, but up to now I have been able to argue to potential recruits that our benefits package at least partially compensates. In particular, the stability of a defined benefits package is very attractive to many people who do not enjoy having their retirement income dependent on the vicissitudes of the stock market. I am also concerned about the effect of a two-tier system on faculty morale and cohesiveness. How are our departments going to deal with the consequences of a situation in which older faculty have what is clearly a better benefits package than younger ones?" Professor of Physics

“As the report of the Retirement Options Task Force demonstrates, the Task Force recommendations, if adopted, would be harmful to future employees and to the quality of the University. The Task Force chose to accept the constraints that were placed upon it by the President. Those constraints were largely the result of the Committee of Two negotiations between President Napolitano and the Governor, which led directly to the structure of the deal being offered to the University in the budget bill. It is now evident that the status quo is better for the University than the terms of the deal. It is also the case that Committee of Two negotiations were a serious violation of shared governance. The Task Force Report provides no rationale for its assumption that the University accept the harmful terms of the deal. For these reasons, I recommend that the Academic Senate reject the Task Force recommendations and support maintaining the status quo.” Professor of Physics, Emeritus

“I am strongly opposed to the proposed change in the University Retirement Program. I believe the current UCRP program is a fundamental aspect of the academic quality that the UC System has sustained for many decades and, thus, if it is largely removed, the university is likely to suffer a

significant long-term decline. I will try to explain this dire forecast. Our remuneration is generally thought to consist of two parts, salary and retirement (plus other important, but smaller benefits). Recent studies have suggested that our retirement benefits may be slightly greater than those of some of our comparison universities, while our salaries are significantly lower than those of the same. One argument has been that we should reduce the retirement benefits and increase salaries, but I note there is no proposal being put forward which would do this. Thus, if retirement benefits are reduced, our total remuneration will decline to levels that are markedly lower than our comparison institutions. I doubt that our salaries will be significantly raised subsequently as the political forces seem opposed to providing state funds to support higher salaries. The state has not funded our retirement, so basically we are being told to reduce our retirement benefits to free up additional funding for the university so that it can educate additional students and/or do with still fewer funds from the state. Although this situation seems dire, I have a greater concern. The traditional retirement program offered two important benefits to the university, other than the retirement payments to its faculty. First, it provided an anchor that retained many excellent faculty who saw that other universities could not attract them with higher salaries because they stood to lose enormous retirement benefits. Perhaps that is not a benefit for faculty, but it was a benefit for the UC system that helped us, as a university, withstand periods of budget stringency when many might otherwise have been tempted to leave. Second, UCRP was structured so that each of us had incentive to continue being as productive as possible for as long as we remained in the university because our retirement income was tied to our highest three year average salary, which generally occurred at the end of our careers. Certainly our merit and promotion process helps achieve the same, but I believe the incentive of the UCRP structure was also an important factor as well. I fear we will lose all of these. I cannot understand how it is that the President seems to have made the decision to change the retirement system unilaterally, or how the Regents could approve the same. Something is amiss. Equally amiss, we are all standing around and doing nothing. It must be that I am misunderstanding the situation. I hope so.” Professor of Agricultural and Resource Economics

“I DO NOT approve!!! Pages 44 and 45 show a significantly reduced retirement income for new employees! Any move to a defined contribution plan is simply not wise!! Defined contribution was rejected by the academic senate for employees hired from 2013 onward for good reasons. Primarily the risk is much lower for defined benefit. Even the proposed defined benefit + defined contribution plan falls short by about 30% of the 2013 plan. This plan seems like short-sighted thinking any way you look at it!” Professor of Chemical Engineering and Material Science

“I see no redeeming features to these retirement recommendations and justification for such changes is at best weak. As a de facto salary cut for incoming faculty vis-à-vis existing faculty, these “options” can only negatively impact the quality of future UC faculty and our ability to realize our mission. Already, faculty recruitment cannot keep up with increased enrollment, we are struggling to meet gender and URM balance and our best faculty are readily enticed to other institutions. These issues will be severely exacerbated if the proposed changes are adopted. I strongly urge the Davis Division to reject these recommendations outright.” Professor of Microbiology and Molecular Genetics